

# MELROD, REDMAN & GARTLAN 14373

A PROFESSIONAL CORPORATION

RECORDATION NO. .... Filed 1425

ATTORNEYS AT LAW

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JUL 17 1984 -2 15 PM

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. .... Filed 1425

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INTERSTATE COMMERCE COMMISSION

July 17, 1984

RECORDATION NO. .... Filed 1425

LEONARD S. MELROD  
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JOSEPH V. GARTLAN, JR.  
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JEFFREY P. MARSTON  
WILLIAM C. BASIL  
NEAL B. BIEN  
FERN J. BRODNEY  
BARBARA F. MUTTERPERL  
WILLIAM POSTER

\*NOT ADMITTED IN D. C.

WRITER'S DIRECT DIAL NUMBER

(202) 822-5415

Mrs. Lee  
Secretary's Office  
Interstate Commerce Commission  
12th Street and Constitution Avenue  
Washington, D.C. 20423

JUL 17 1984 -2 15 PM

Re: Filing of Master Lease between Chancellor  
Asset Corporation as Trustee of Deerfield  
Trust, as Lessor, and Soltex Polymer Corp-  
oration, as Lessee, dated June 1, 1984

Dear Mrs. Lee:

Chancellor Asset Corporation, as Trustee for  
Deerfield Trust ("Chancellor") is the owner of 67 ELTX 600-  
666 railroad cars (the "railroad cars"). Chancellor granted  
Greycas, Inc. a security interest in the railroad cars in  
accordance with a Chattel Mortgage and Security Agreement  
dated May 17, 1984.

On June 1, 1984 Chancellor leased the railroad  
cars to Soltex Polymer Corporation. Greycas, Inc. agreed  
to the lease per an Assignment and Agreement dated May 17,  
1984.

Accompanying this letter are:

1) Two executed and notarized Chattel Mortgage  
and Security Agreements with Exhibits A through D attached  
thereto;

4-199A023

No.

JUL 17 1984

Date .....

Fee \$ 30.00

ICC Washington, D. C.

JUL 17 2 09 PM '84

FEE OPERATION NO.

RECEIVED

*1 Approved Mary Ellen Slawson*

MELROD, REDMAN & GARTLAN  
A PROFESSIONAL CORPORATION

Mrs. Lee  
Page Two  
July 17, 1984

2) Two executed and notarized Assignments and Agreement.

3) One original and one duplicate original lease and Schedule A thereto between Chancellor and Soltex Polymer Corporation.

Sincerely,

*Mary Ellen Slavinskis*

Mary Ellen Slavinskis  
Legal Assistant

MES:plw  
Enclosure  
cc: Jerry M. Hamovit, Esq.  
William Poster, Esq.

JUL 17 1984 - 2 15 PM

A-7.1.1

282180:2

INTERSTATE COMMERCE COMMISSION  
CHattel MORTGAGE AND SECURITY AGREEMENT

THIS CHATTEL MORTGAGE AND SECURITY AGREEMENT, ("**Mortgage**") made and entered into as of this 17th day of May, 1984 by and between CHANCELLOR ASSET CORPORATION, AS TRUSTEE FOR DEERFIELD TRUST, a Massachusetts corporation having its principal place of business at Federal Reserve Plaza, Boston, Massachusetts 02210, (the "**Borrower**") and GREYCAS, INC., an Arizona corporation having its principal place of business at Greyhound Tower, Phoenix, Arizona 85077 ("**Lender**"):

1. DEFINITIONS.

As used herein, the following terms shall have the following meanings:

1.1 "**Assignment of Lease**" shall have the meaning set forth in Section 6.

1.2 "**Borrower's Obligations**" shall mean each and every obligation, duty, covenant, undertaking and condition now existing or hereafter arising of Borrower under the Documents.

1.3 "**Closing Date**" shall be that date to be agreed on by Borrower and Lender at which time the Loan shall be consummated, which date shall not be later than August 31, 1984 unless otherwise extended by mutual agreement.

1.4 "**Collateral**" shall mean the Equipment (herein defined) to be owned by Borrower, on the Closing Date, any and all proceeds from the sale or other disposition thereof, and all proceeds of insurance thereon and Borrower's right, title and interest in the Lease.

1.5 "**Collateral Fraction**" as to each item of Equipment shall be determined and represented by a fraction the numerator of which shall be the cost of the item of Equipment and the denominator of which shall be the total cost of all Equipment pertaining to and secured by the Note. For purposes of determining the Collateral Fraction, the railroad cars bearing identification numbers ELTX 600 through 638 shall be deemed to have a cost of \$22,090.00 and the railroad cars bearing identification numbers ELTX 639 through 666 shall be deemed to have a cost of \$37,090.00.

1.6 "**Documents**" shall mean collectively this Mortgage, the Note (hereinafter defined), the Lease, the Assignment of Lease, and the documents and agreements called for herein.

1.7 "**Equipment**" shall mean the personal property described on **Exhibit A** annexed hereto and made a part thereof any and all additions, accessories, replacements and attachments thereto.

1.8 "**Event of Default**" shall have the meaning specified in Section 8.1.

1.9 "**Impositions**" shall have the meaning specified in Section 2.7.

1.10 "**Lease**" shall mean an equipment lease agreement providing for the lease of the Equipment by Borrower to Lessee.

1.11 "**Lessee**" shall mean Soltex Polymer Corporation, a Delaware corporation.

1.12 **"Loan"** shall mean the loan by Lender to Borrower pursuant to the terms and conditions set forth herein in the amount of \$1,559,159.46 subject to change if Prime is other than 13% on the Closing Date.

1.13 **"Note"** shall mean the promissory note to be made and delivered by Borrower to Lender pursuant to Section 2 hereof, in the form annexed hereto as **Exhibit B** and made a part hereof.

1.14 **"Officer's Certificate"** shall mean a certificate signed and sealed in the name of the Borrower by its President, any of its Vice Presidents, its Clerk or its Treasurer.

1.15 **"Overdue Rate"** shall have the meaning specified in Section 2.3.

1.16 **"Person"** shall mean any individual, corporation, partnership, joint venture, governmental entity, agency, etc., whether singular or plural, or a combination of the foregoing.

1.17 **"Prime"** shall mean the higher of (i) the rate of interest announced publicly by Citibank, N.A. or (ii) 1/2 of 1% (0.5%) above the latest 3-week moving average of secondary market morning offering rates in the U.S. for 3-month certificates of deposit of major U.S. money market banks as determined weekly by Citibank, N.A.

1.18 **"Security Interest"** shall mean a first and senior lien in the Collateral and shall in all respects have the meaning given to such term by the Uniform Commercial Code of the State of Arizona.

1.19 **"Total Loss"** shall have the meaning specified in Section 5.3(b).

1.20 **"Unpaid Amount"** shall have the meaning specified in the Note and with respect to any item of Equipment shall have the same meaning multiplied by the Collateral Fraction attributed to such item of Collateral.

## 2. THE LOAN AND NOTE.

2.1 Lender hereby agrees to lend to Borrower and Borrower agrees to borrow from Lender the amount of the Loan in accordance with the terms and conditions of this Mortgage.

2.2 On the Closing Date, Lender shall disburse the amount of the Loan as designated by Borrower, which shall constitute the consummation of the Loan and which shall be evidenced and secured by the simultaneous execution and delivery by Borrower to Lender of the Note and the instruments and agreements provided for in Section 9.

2.3 If any installment of principal and interest of the Note, as well as any other payment due under the Documents, is not paid when due, an additional fee for late payment shall be payable thereon from the due date of such installment to and including the date of payment in full in an amount equal to the lesser of (i) the maximum legal rate of interest permitted by applicable law or (ii) five percent (5%) per annum above Prime in effect from time to time, but in no event shall such additional fee be less than 13.50% per annum (the **"Overdue Rate"**) computed on the basis of the actual number of days elapsed using a 360-day year, payable on demand. The amounts due hereunder shall be due and owing, and accrue from, the date the delinquent installment or other payment was due until it is paid in full. This provision, or reliance thereon by Lender, shall not be deemed a waiver of any Event of Default.

2.4 Lender, as a cash basis taxpayer, intends to recognize interest income for tax reporting purposes as it is received. The parties hereto agree and recognize that each Installment of the Note shall be allocated between principal and interest as set forth on **Exhibit C** annexed hereto and made a part hereof, unless a prepayment pursuant to Section 3(b) hereof shall have been made, in which event such prepayment shall be allocated to principal and interest as set forth on **Exhibit C** for the Installment due on or next following the date such prepayment is received by Lender, provided, however, that in no event shall an amount in excess of 100% of the Loan be allocated to principal (any such excess shall be allocated to interest). Upon such prepayment, **Exhibit C** shall be adjusted by Lender in a manner consistent with the manner in which **Exhibit C** was prepared.

2.5 (a) Payment of the Note shall be made at Lender's officers set forth on the signature page hereof unless and until Borrower is otherwise directed in writing by Lender. Anything else contained in this Mortgage to the contrary notwithstanding, the Loan shall bear interest at the rate and be repaid in accordance with the terms of and as provided in the Note subject, however, that if Prime is other than 13% on the Closing Date, the amount of the Loan shall be modified accordingly.

(b) **Exhibit 1** to the Note annexed to this Mortgage has been calculated based upon the **Base Installment Factor** set forth thereon. If, after giving effect to (a) above, the applicable Installment Factor shall be different from such Base Installment Factor, then such **Exhibit 1** to such Note shall be recalculated by Lender, in its sole discretion, but in good faith on a basis consistent with the calculation of said **Exhibit 1**, using the applicable Installment Factor after giving effect to (a) above, and such revised **Exhibit 1** shall be attached to and thereby made a part of such Note on the Closing Date.

2.6 Borrower's obligation to pay all installments of principal and interest under the Note and all other amounts payable hereunder and under the Documents shall be absolute and unconditional under any and all circumstances and shall not be affected by any circumstance of any character, including, but not limited to, (i) any set-off, counterclaim, recoupment, defense or other rights which Borrower may have against Lender, its successors and assigns, or anyone else for any reason whatsoever, (ii) any defect in the title, merchantability, condition, design, operation, or fitness for use of, or any damage to or loss or destruction of, the Collateral, or any interruption or cessation in the use or possession thereof by Borrower for any reason whatsoever, and (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Borrower. All installments of principal and interest under the Note and any and all other amounts payable by Borrower and under the Documents shall be paid without notice (except as otherwise expressly provided herein), demand, counterclaim, set-off, deduction, recoupment or defense, and without abatement, suspension, deferment, diminution or proration by reason of any circumstance or occurrence whatsoever. Each payment made by Borrower shall be final and Borrower will not seek to recover all or any part of such payment from Lender, or from whosoever may be entitled thereto, for any reason whatsoever.

2.7 All payments to be made by Borrower hereunder will be free of expense to Lender with respect to the amount of any taxes (other than any tax measured by net income payable by Lender to any state or political subdivision thereof or to the United States under Section 11 or Section 1201 of the Internal Revenue Code of 1954, as amended, in consequence of the receipt of payments provided for herein), license fees, assessments, charges, fines, penalties, property, excise or other taxes currently or hereafter levied or imposed by any state, local, Federal or foreign authority, (all such expenses, taxes, license fees, assessments, charges, fines, penalties, property or other taxes being hereinafter called "**Impositions**") on or in connection with or measured by this Mortgage or any sale, rental, use, payment, shipment, delivery or transfer of title, all of which Impositions Borrower assumes and agrees to pay on demand in addition to the other payments to be made by it as herein provided.

2.8 Borrower agrees to duly and punctually pay, or cause to be paid, all amounts due and owing under the Documents at the times and places in the manner specified in such Documents, according to the terms thereof.

2.9 Lender shall open and maintain on its books a loan account in Borrower's name showing the repayments of the Loan and other amounts due and sums paid hereunder. Such loan account shall be conclusive and binding on Borrower as to the amount at any time due to Lender from Borrower in respect of the Loan except in the case of error in computation by Lender.

### 3. PREPAYMENT OF THE NOTE.

(a) There shall be no prepayment of the Note or the Loan either in part or in whole, except as specifically provided in Sections 3(b) and 3(c).

(b) In the event of a Total Loss to an item(s) of Equipment, prepayment of the Note in the amount determined by Section 5.3(b) herein shall be mandatory to the extent of the items of Equipment so lost. All proceeds paid to Lender in respect of a prepayment by Borrower shall be applied to reduce, on a pro rata basis based on the total cost of all of the Equipment, the amount which would, at the time of computation, equal the principal balance of the Loan ("**Principal Balance**") computed as if each Installment were being allocated first to accrued and unpaid interest and then to principal. In such instance, all amounts received in excess of the amount applied to decrease the Principal Balance shall be returned to Borrower. Upon such prepayment, the remaining unpaid but not overdue Installments due under the Note will be adjusted to equal the amounts that would be required to amortize the remaining Principal Balance at the rate set forth in the Note, over the remaining term of the Note, and **Exhibit 1** to the Note will be adjusted by Lender, in a manner consistent with the manner in which **Exhibit 1** was prepared.

(c) Provided that (i) the Equipment becomes surplus to Lessee's needs, and (ii) an Event of Default or (iii) an event or act which, with notice or lapse of time or both, would become an Event of Default, shall not have occurred and be then continuing and provided further that Borrower shall have paid all of the sums then due and payable to Lender under the Documents, Borrower shall have an option to accelerate payment of the Loan in full, but not in part, after the third anniversary of the Closing Date by paying to Lender a sum equal to the percentage of the applicable Unpaid Amount as follows:

Prior to the third anniversary of the Closing Date	No prepayment allowed
Prior to the fifth anniversary of the Closing Date	106%
Prior to the seventh anniversary of the Closing Date	105%
Prior to the ninth anniversary of the Closing Date	104%
Prior to the tenth anniversary of the Closing Date	103%

### 4. SECURITY.

To secure payment of the Note and the Performance of all of Borrower's Obligations:

(a) Borrower grants to Lender a first and absolute mortgage and Security Interest in the Equipment, said security interest to be evidenced by Borrower's execution and delivery of this Mortgage to the Lender on the Closing Date.

(b) Borrower has simultaneously, with the execution of this Mortgage, granted to Lender a Security Interest in the Lease which shall, in all respects, be a first and

priority security interest therein and which shall establish and perfect in Lender a security interest in such Lease as against Borrower and all Persons.

(c) Not later than the Closing Date, Borrower shall deliver to Lender at the sole cost and expense of Borrower an irrevocable letter of credit ("**Letter of Credit**") in form and substance acceptable to Lender and its counsel, from a bank acceptable to Lender ("**Bank**"). Initially, the Letter of Credit shall be in an amount equal to the principal amount of the Loan multiplied by that percentage set forth in Installment Date #1 on **Exhibit 1** to the Note. Thereafter, the amounts which may be drawn under the Letter of Credit and renewals thereof shall decline on the same basis and at the same times as provided in **Exhibit 1** to the Note so that at all times the amount of such Letter of Credit shall equal the Unpaid Amount of such Note. Such Letter of Credit shall: be renewable annually throughout the Term; require 30 days prior written notice to Lender in order to cancel the same; not be subject to amendment or change other than as herein expressly provided without the written consent of Lender; and shall provide for payment of funds under the Letter of Credit to Lender upon presentation by Lender at an office of Bank of a single sight draft drawn upon Bank accompanied by a statement by Lender requesting payment thereunder. In the event that Lender shall receive notice of cancellation of such Letter of Credit or Bank shall fail to provide to Lender notice of renewal thereof for an additional year each year during the Term, within 30 days of the expiration of such Letter of Credit, Lender shall thereupon have the right to draw upon said Letter of Credit for the full amount hereof and the Letter of Credit shall so provide. Lender may not present the Letter of Credit for payment except as provided in the preceding sentence or upon the occurrence of an Event of Default.

## 5. COVENANTS WITH RESPECT TO COLLATERAL.

### 5.1 Maintenance of Priority of Security Interest.

(a) Except as provided in Section 11.2 hereof, Borrower will not, nor will it attempt to, nor will it permit a third party including, without limitation, Lessee, to assign, pledge, mortgage, lease, hypothecate or otherwise encumber, sell or otherwise dispose of the Collateral, nor will Borrower suffer or permit to be incurred any liens or security interests in the Collateral or permit the Collateral to be subjected to any unpaid charges whatsoever. In addition, Borrower agrees that it will defend the Collateral against the claims and demands of all parties other than Lender.

(b) Borrower agrees, at its sole cost and expense, to execute and re-execute and deliver and re-deliver all documents reasonably requested by Lender to enable Lender to perfect, preserve and protect its Security Interest and/or its lien in and on the Collateral, and does hereby authorize Lender to file and record any such documents for such purposes.

5.2 Insurance. At all times during the term hereof, Borrower shall require the Lessee to keep the Collateral insured against such perils, under such forms of policies, on such terms, in such amounts, for such period, and written by such companies or underwriters, as Lender shall require. Borrower shall require Lessee to provide and maintain at its own expense property insurance on each item of Equipment for the actual value thereof and in no event less than the Unpaid Amount thereof and comprehensive public liability and property damage insurance covering the Equipment. The insurance shall (i) in the case of property insurance, provide that settlements for losses be paid only to Lender and/or its assignee and insure Lender's interests regardless of any breach or violation by Borrower of any warranty, declaration or condition contained in the policies, (ii) in the case of liability policies, name Lessee, Lender and Borrower as insureds and provide that all insurance, except the limits of liability, operate as if there were a separate policy covering each insured, (iii) be primary and without right of contribution from other insurance which is carried by Lender and (iv) provide for 30 days written notice to Lender prior to the time any coverage is altered or cancelled.

Certificates of insurance or other evidence satisfactory to Lender, including the original or certified copies of the actual policies, showing the existence of insurance in accordance herewith, and the terms, conditions, and payments therefor shall be delivered to Lender forthwith and thereafter prior to each expiration of such policies. No change shall be made in any insurance without Lender's prior written approval.

by Borrower

### 5.3 Destruction, Damage or Loss of Equipment.

(a) If Borrower is not in default under the Documents, in the event of any loss of or damage to the Equipment or any item thereof, which loss or damage shall be capable of repair at a cost of less than the Unpaid Amount of such lost or damaged item of Collateral, then this Mortgage shall continue in effect, and Borrower shall have the obligation to effect or cause to be effected all necessary repairs and replacements of equipment in order to restore such item of Equipment to what, in the opinion of Lender, is good operating condition and working order, and such loss of or damage to such item of Equipment, or any part thereof, shall not impair or diminish any obligation of Borrower under the Mortgage including, without limitation, the obligation to pay all sums due under the Note and the Mortgage during the period of time that any such repairs or replacements are being effected. In effecting such repairs, Borrower may utilize any insurance proceeds received in compensation for such loss, damage or destruction. Borrower agrees that all personal property or equipment (i) attached to the Equipment to effect such repairs or (ii) replacing any lost, damaged or destroyed Equipment shall immediately be deemed to be a part of the Collateral.

(b) In the event of any total loss or constructive total loss to the Collateral or item thereof, (herein called "**Total Loss**") meaning either (i) damage or destruction to the Equipment not capable of repair or where Lessee has determined not to replace the Equipment so damaged or destroyed or (ii) condemnation, requisition, confiscation, appropriation or deprivation by any governmental body de facto or de jure by exercise of the power of eminent domain or otherwise, Borrower shall pay to Lender an amount equal to (1) the percentage of the Unpaid Amount of such lost Equipment or item thereof as of the date of such Total Loss as set forth below, and (2) interest on the unpaid balance of said Unpaid Amount at the Overdue Rate from the date of such Total Loss to the date of receipt. At such time as Lender has received the sum of (1) and (2) above, and if Borrower shall pay all other amounts which may be due under the Documents, Borrower shall be entitled to receive the remainder, if any, of the proceeds from the insurance and Borrower's obligation to pay all sums due under the Documents shall thereupon cease and terminate only with respect to such lost Equipment or item thereof.

<u>Total Loss Percentage</u>	
<u>Year of Loan</u>	<u>% of Unpaid Amount</u>
1	102%
2-3	102%
4-5	102%
6-7	102%
8-9	102%
10	102%

6. LEASE OF EQUIPMENT. Notwithstanding any other provisions of this Mortgage, Borrower shall be permitted to and shall lease the Equipment during the term hereof to Lessee on the following terms and conditions:

(a) The Lease shall be in form and substance satisfactory in all respects to Lender and may not be amended without Lender's consent, and which shall provide, inter alia for monthly payments equal to or in excess of the installments due Lender under the Note.



(b) The Lease shall be subject and subordinate to the terms and conditions of this Mortgage and Lender's interest in the Collateral except that Lessee shall have the right of quiet enjoyment to the Equipment provided that Lessee is not in default under the Lease.

(c) Nothing contained in the Lease shall in any way diminish the rights of Lender hereunder or increase any obligation or liability of Lender hereunder, as this Mortgage may be amended and supplemented from time to time.

(d) Borrower shall at all times remain fully liable under this Mortgage, as amended and supplemented, for performance of each and every one of Borrower's Obligations without diminution by virtue of the Lease or the Assignment of Lease thereof.

(e) Lender shall have received certificates of insurance from Borrower or Lessee reasonably satisfactory to Lender, and Lender agrees that if the insurance shown on said certificate remains in force during the period of the Loan, said insurance shall be deemed to be satisfactory performance of Borrower's obligations at set forth in Section 5.2.

(f) The Lease and payments due thereunder shall be presently assigned in writing ("**Assignment of Lease**") to Lender as additional collateral to secure performance of the Borrower's Obligations. The Assignment of Lease shall be acknowledged by Lessee in writing ("**Acknowledgment**"). Such Acknowledgment shall provide for the recognition by Lessee of Lender's right to succeed to the rights of Borrower as lessor under the Lease if an Event of Default shall occur or if Borrower shall be in default under the Lease Agreement. Until the complete performance of all of Borrower's Obligations, Lender shall be entitled to receive and Borrower shall so instruct Lessee that rentals for the Equipment under the lease shall be paid to Lender who shall thereupon keep, retain and apply such portion (or all, if all) thereof as shall be equal to the then current installments due under the Note plus arrearages, if any. Any excess shall then be paid over to Borrower or as Borrower may from time to time direct.

(g) Lender shall have received the favorable opinion of legal counsel to Lessee with respect to the Lease and Acknowledgment.

(h) Copies of all invoices from Borrower to Lessee in connection with the Lease shall be provided to Lender upon request.

## **7. REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER.**

(a) Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Massachusetts and is duly qualified to do business and in good standing as a foreign corporation, if applicable, in every jurisdiction in which the nature of its business requires such qualification.

(b) Borrower has each taken all action which may be required by its Charter or Articles or Certificate of Incorporation and its By-Laws or Trust Agreement, and by the laws of its State of incorporation or formation and all other applicable laws, to authorize the execution, delivery and performance of the Documents and to grant and convey to Lender the Security Interest in and to the Collateral.

(c) The execution and delivery of the Documents and the performance by Borrower of its obligations thereunder and the creation of the Security Interest in and to the Collateral will not conflict with or violate any provisions of its Charter or Articles or Certificate of Incorporation, its By-Laws, or any provisions of, or result in a default or acceleration of any obligation under, any agreement or instrument of any kind or any undertaking, order, decree or judgment to which Borrower is a party or by which it is bound.

(d) There is no litigation either pending or threatened against Borrower before any court or administrative agency which may have a materially adverse effect on the assets, business, financial condition or operations of Borrower, or which would prevent or hinder the performance by Borrower of its obligations under the Documents.

(e) The Documents are the valid obligations of Borrower, binding and enforceable against it in accordance with the terms thereof.

(f) Borrower is fully familiar with all the covenants, terms and conditions of the Documents.

(g) Lender's Security Interest will be duly and properly preserved and perfected in accordance with all applicable laws and regulations prior to the disbursement of the Loan.

(h) That the disbursement by Lender of the proceeds of the Loan, as authorized by Borrower hereunder shall retire any and all of the existing indebtedness or liens against the Collateral and Borrower owns and holds good title to the Collateral free and clear of any and all other liens, encumbrances, claims or charges of of third parties; and Borrower will defend such title to the Collateral against the claims and demands of all parties.

(i) The disbursement by Lender of the proceeds of this Loan, as authorized by Borrower hereunder shall retire any and all of the existing indebtedness against the Equipment and any lien on or security interest in the Lease, and Borrower owns and holds good title to the Collateral free and clear of any and all other liens, encumbrances, claims or charges of third parties; and Borrower will defend such title against the claims and demands of all parties.

(j) Apart from the filings referred to in Sections 9.1(e) and (i), and in the three provinces in Canada which provide for central filing, no further filing or registration will be necessary or advisable in order to establish and perfect Lender's security interest in the Lease as against Borrower and all Persons in the United States and said three provinces.

(k) Apart from the filing of the Mortgage with the ICC (referred to in Section 12 of Article III of the Mortgage), and the filings to be made in the three provinces in Canada which provide for central filing, no further registration, recording or filing of or with respect to the Equipment will be necessary or advisable in order to establish and perfect Lender's first preferred Security Interest in the Equipment as against Borrower and all Persons in the United States and said three provinces.

(l) Borrower and Lessee have fully and completely performed each and every obligation imposed on them under the Lease on the date such performance was due, and Borrower will continue to do so in accordance with the terms thereof; the Lease is valid and in full force and effect in accordance with its terms, no default has occurred thereunder, and has not been amended, altered, modified or assigned (other than to Lender pursuant to the Assignment); and Borrower will not alter, amend, modify or assign the Lease without the prior writtten consent of Lender.

(m) Borrower will assign to Lender as additional security any and all leases, subleases, management agreements or the like and rights to payment thereunder with respect to the Equipment.

(n) All financial statements and reports of Borrower that have heretofore been presented to Lender in conjunction with the transaction which is the subject of this Loan, fairly and accurately present a true and correct picture of the financial condition and income of the subject thereof, as of the date given and as of the date hereof; moreover, as of such dates, such financial statements and reports do not contain any untrue statement of a material fact, nor do they omit to state a material fact required to be stated therein or necessary in order to make such financial statements and reports not misleading; and there is no fact, situation or event which, in the opinion of its officers, materially adversely affects or, so far as they can now foresee, will materially adversely affect the properties, businesses, assets, income, prospects or condition (financial or otherwise) of the subject of such statements and reports.

Until complete performance of all of Borrower Obligations, Borrower shall furnish or cause to be furnished to Lender, as soon as the same are available, a copy of Lessee's current annual financial statements. Such financial statements shall contain a balance sheet as at the end of such fiscal year and statements of income and of changes in financial position of such fiscal year (together, in each case, with the comparable figures for the immediately preceding fiscal year), all in reasonable detail, prepared in accordance with accounting principles, applied on a basis consistently maintained throughout the period involved and with prior periods and certified to (1) by a recognized firm of accountants satisfactory to Lender or (2) by the chief financial officer of the subject of such statements if regular audited financial statements are not otherwise prepared with respect to the subject of such statement. Together with such annual financial statements, Borrower will deliver to Lender: an Officer's Certificate stating that there exists no Event of Default and no condition, event or act which with notice or lapse of time or both would become an Event of Default or, if any such Event of Default or any such condition, event or act exists, specifying the nature and period of existence thereof and what action Borrower proposes to take with respect thereto, Borrower shall also furnish, from time to time, such additional financial and other information as Lender may reasonably request and comply with all laws applicable to Borrower, provided, however, that Borrower shall not be required to comply with any law so long as the validity or applicability thereof shall be contested in good faith nor to maintain, preserve, renew any right or franchise not necessary or desirable in the conduct of Borrower's business if no prejudice to Lender shall result therefrom.

(o) The Equipment has been delivered to and accepted by the Lessee.

(p) To the knowledge of Borrower, no default on the part of the Lessee has occurred under the terms and provisions of the Lease.

(q) To the knowledge of Borrower, no offsets, counterclaims or other defenses exist in favor of the Lessee pursuant to the Lease.

(r) The Security Interest created hereby shall not impose upon Lender any of Borrower's Obligations under the Lease.

(s) Borrower will cause an originally executed copy of the Lease to bear a legend "ORIGINAL" and provide same to Lender, and all other copies to bear a "DUPLICATE" legend on the face and signature pages thereof.

(t) The monthly rental payments under the Lease are equal to or exceed the installments due Lender from Borrower under the Note.

(u) The Lease dated as of June 1, 1984 shall commence as of July 1, 1984 and no rental payments thereunder have been received by the Borrower as of the Closing Date.

## 8. DEFAULTS AND REMEDIES.

8.1 (a) The occurrence of one or more of the following events (herein called "Events of Default") shall constitute a default hereunder:

(i) Borrower shall fail to pay any installment of principal and interest on the Note when and as the same shall become due and payable, as therein or herein expressed;

(ii) Borrower shall fail to pay amounts due Lender under the Documents, other than those described in subparagraph (i) of this Section 8.1, at such time as the same shall be due and payable;

(iii) Borrower becomes insolvent or admits in writing its inability to pay its debts as they mature, or applies for, consents to, or acquiesces in the appointment of a trustee or receiver for Borrower or any of its property; or, in the absence of such application, consent, or acquiescence, a trustee, custodian or receiver is appointed for Borrower; or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding is instituted against Borrower; or Borrower shall make an assignment for the benefit of creditors;

(iv) If the entry of any order, decree or judgment approving any petition filed against Borrower seeking any reorganization, arrangement, composition or similar relief under the present or any future federal bankruptcy law or other applicable law of the U.S. or any state thereof, or the appointment, without the consent of Borrower, of any receiver, trustee or liquidator of all or a substantial part of the property of Borrower shall not be vacated, or shall not be stayed on appeal or otherwise, or shall not have otherwise ceased to continue in effect, within 30 days;

(v) Borrower shall fail to observe or perform any other of the covenants, conditions and agreements on the part of Borrower contained in the Documents and such failure shall not, within 5 days after written notice thereof shall have been received by Borrower from Lender, have been remedied, or appropriate action initiated by Lessee to do so;

(vi) If any representation or warranty made by Borrower to Lender contained in any Document should prove untrue in any material respect;  
when made

(vii) Borrower shall have defaulted under the Lease and Lessee shall have sought its remedies with respect thereto.

(b) Lender hereby grants to Borrower a five (5) business day grace period before the Events of Default listed in 8.1 (a)(i) and (ii) can be used to accelerate by Lender, and thirty (30) days to discharge any bankruptcy, liquidation or similar proceedings brought against (but not by) Borrower.

8.2 On the occurrence of any Event of Default, and while such Event of Default shall continue, the percentage of the Unpaid Amount set forth in Section 5.3(b) hereof shall, at the option of Lender, be immediately due and payable. This provision, however, is subject to the condition that if, at any time after the Note shall have thereby become due and payable, and before any notice of an Event of Default has been given Borrower by Lender, Borrower shall pay to or shall deposit with Lender a sum sufficient to pay all arrearages of monthly installments due on the Note which are outstanding (together with interest thereon at the

Overdue Rate) and all other sums payable under the Documents shall have been duly paid, and every other default in the performance of any covenant or provision of any Document shall have been remedied to Lender's satisfaction or arrangements deemed by Lender to be adequate shall be made therefor, then Borrower shall no longer be in default, however, no such termination of default shall extend to or affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

8.3 If an Event of Default shall occur and during the continuance thereof, then and in every such case Lender may in addition to those remedies provided for in the Note: (i) enter into and take possession of the Collateral, or any part thereof, and collect and receive all rents, issues, income and profits therefrom and in the same manner as Borrower might lawfully do; (ii) sell, to the extent permitted by law, the Equipment at such place or places and otherwise in such manner and on such notice as may be required by law, in order to collect the indebtedness of Borrower under the Documents, and execute proper conveyances to the purchaser or purchasers; (iii) proceed by a suit or suits in equity or at law to protect and enforce Lender's rights hereunder, whether for the specific performance of any covenant, condition, agreement or undertaking herein contained, or in aid of the execution of any power herein granted or for the foreclosure of the Security Interest and sale or other disposition of the Collateral under the judgment or decree of any court of competent jurisdiction, or for the appointment of a receiver or receivers, or for the enforcement of such other appropriate legal or equitable remedy as may in the opinion of Lender's counsel be most effectual to protect and enforce the rights aforesaid or (iv) exercise any of the remedies available to it as assignee of Borrower's interest in the lease.

8.4 If an Event of Default shall have occurred and Lender shall elect to take possession of the Collateral pursuant to clause (i) of Section 8.3 hereof, then Lender, by its attorneys or agents, may enter into and take possession of all the Collateral and each and every part thereof and exclude Borrower and its agents, servants and employees wholly therefrom, and have, hold, use, operate, manage and control the same and each and every part thereof, and in the name of Borrower, or otherwise as Lender shall deem best, use all of the then existing Collateral materials, current supplies, stores and assets for that purpose, and at the expense of Borrower, maintain, restore, insure and keep insured the Collateral, and likewise from time to time, at the expense of Borrower, make all such necessary or proper repairs, renewals and replacements and all such useful alterations, additions, betterments and improvements as to it may seem judicious, and collect and receive all earnings, income, rents, issues, profits and revenues of the same and of every part thereof, and after deducting therefrom the expenses of operation and all expenses incurred hereunder and all other proper outlays herein authorized, and all payments which may be made as just and reasonable compensation for its own services, and for the service of its attorneys, agents and assistants, Lender shall apply the rest and residue of the monies received by it in the following order:

First, to the payment of all costs and expenses incurred in the collection of said balance as authorized in this Section 8;

Second, to the payment of the installments in default on the Notes in the order of the maturity of the installments, with interest at the Overdue Rate on each overdue installment;

Third, to the payment of the Unpaid Amount then due as of the date of the Event of Default;

Fourth, to the repayment of any other of Borrower's Obligations due; and

Fifth, any residue shall be paid forthwith to Borrower.

8.5 If an Event of Default shall have occurred and Lender shall elect to sell the Collateral, or any part thereof, pursuant to Section 8.3(ii), then Lender may proceed to do so in a commercially reasonable manner in accordance with applicable law and the proceeds of any such sale shall be applied in accordance with Section 8.4.

8.6 No remedy herein or in any other Document conferred on or reserved to Lender is intended to be exclusive of any other remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder, under any other Document or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

8.7 In case of any sale of the Collateral, Lender may bid for and purchase such property and, on compliance with the terms of sale, may hold, retain, possess and dispose of such property in its own absolute right, without accountability except as stated in Section 8.4.

8.8 On any sale, whether made under the power of sale hereby given or by virtue of judicial proceedings, the receipt of Lender, or of the officer making a sale under judicial proceedings, shall be a sufficient discharge to the purchaser or purchasers, and his or their assigns or personal representatives, who shall not, after paying such purchase money and receiving such receipt of Lender or of such officer therefor, be obliged to see to the application of such purchase price, or be in anywise answerable for any loss, misapplication or non-application thereof.

8.9 Borrower, for itself and for all who may claim through or under it, hereby expressly waives and releases all rights to have the Collateral, or any part thereof or any other of its property, marshalled on any foreclosure, sale or other enforcement hereof, and Lender, or any court in which the foreclosure of the Security Interest is sought, shall have the right as aforesaid to sell the Collateral in part or in whole. Borrower, if called upon to do so, shall provide Lender with a specific written waiver to evidence the intent of this Section 8.9.

8.10 If an Event of Default shall have occurred, Borrower shall, on the request of Lender, assemble the Equipment and make it available to Lender at a time and place reasonably convenient to Lender.

8.11 Lender may recover from Borrower expenses (including without limitation attorneys' fees) incurred in enforcing any of its rights under the Documents.


## 9. CLOSING DETAILS AND CONDITIONS.

9.1 Notwithstanding anything contained herein to the contrary, Lender's obligation to make the Loan to Borrower on the Closing Date shall be and is expressly conditioned on Borrower, at its sole cost and expense, delivering to Lender the following documents in form, content and substance satisfactory to Lender in its sole and absolute discretion:

(a) This Mortgage and the Note duly executed by Borrower;

(b) This Mortgage in recordable form for recording with the Interstate Commerce Commission ("**ICC**") under Section 20(c) of the Interstate Commerce Act and the Mortgage shall have been so recorded;

(c) The Certificate of Insurance referred to in this Mortgage, <sup>provided insurance accepted by the Lender and in force</sup> ~~which shall~~ be in force on the Closing Date ~~and which shall be in form and substance~~ satisfactory to Lender;

(d) A Certificate of Borrower to the effect that Borrower is not in default under either the Documents, ~~or Lease or the Management Agreement~~; and that the representations and warranties contained are true on and as of the Closing Date; 

(e) The Assignment of Lease and Acknowledgment which in the case of the Assignment of the Lease shall be in recordable form for filing and recording with the ICC and the same shall have been so recorded;

(f) A favorable opinion of ICC special counsel to Lender to the effect that upon the proper recording of the documents referred to in (b) and (f) of this Section 9.1 (which recording counsel shall supervise), the Equipment will be duly documented, this Mortgage will constitute a duly preferred first mortgage, the Assignment of Lease will constitute in Lender a first priority and perfected Security Interest therein and in the rentals and payments due thereunder; and that no further filing of any kind or notice is necessary or required to perfect Lender's priority Security Interest in the Equipment or the Lease;

(g) A favorable opinion of Borrower's legal counsel, satisfactory to Lender, the form of which is annexed hereto as **Exhibit D** and made a part hereof;

(h) The Letter of Credit;

(i) Certified copies of resolutions of Borrower's Board of Directors authorizing Borrower to enter into and perform under this Mortgage, the Note, Lease, Assignment of Lease and to execute and deliver and honor or perform, as the case may be, the Documents;

(j) Certificate of Incumbency of Borrower;

(k) At least 3 business days prior to such Closing Date, irrevocable notice of intent to drawdown the Loan which notice must be in form and substance satisfactory to Lender;

(l) The Lease;

(m) Certified copies of resolutions of Lessee's Board of Directors authorizing Lessee to enter into and perform under the Lease and Acknowledgment of Assignment of Lease;

(n) A favorable opinion of Lessee's legal counsel pursuant to Section 6(g) hereof;

(o) Lessee's certificate of acceptance with respect to the Equipment;

(p) Such other agreements, certificates or other instruments in writing, including UCC financing statements, as shall be deemed by Lender or its counsel necessary or desirable in order to more fully and completely service, protect, perfect or preserve Lender's interests in and to the Collateral.

9.2 Lender's obligation to make the Loan to the Borrower shall be and is expressly conditioned on the following:

(a) There shall be no significant deterioration in the business, operations or financial condition of Borrower and Lessee on or prior to the Closing Date;

(b) Borrower shall have kept and performed the various covenants, obligations and duties on its part to be kept and performed under the Documents and Borrower shall not be in default under any thereof.

10. LIMITATION OF LIABILITY. Anything in this Mortgage (other than the second sentence of this Section 10) to the contrary notwithstanding, the Documents (including, without limitation this Mortgage, the Assignment of Lease and the Note) are nonrecourse obligations of Borrower and the liability of Borrower to make the payments due, or to become due, or other obligations to be performed by Borrower, under the Documents shall be (other than as set forth in the second sentence of this Section 10 and as expressly provided in the Note) unconditionally limited and enforceable only against the Collateral. Anything contained in the foregoing sentence, the Documents to the contrary notwithstanding, Borrower shall be liable to Lender for any and all damages resulting to Lender from any breach of any of Borrower's representations, warranties, covenants or agreements contained in Sections 5 and 7 of this Mortgage and Section 3 of the Assignment of Lease provided, however, if Borrower has diligently required Lessee to perform its obligations under the Lease, Borrower shall not be recourse as to breaches of Section 5.3 and as to those covenants of Section 5.1(a) covered by the Lease.

Any provision contained in this Mortgage (other than the second sentence of this Section 10 and as expressly provided in the Note), the Assignment of Lease, or the Documents to the contrary notwithstanding, it is expressly agreed by the parties hereto that, with respect to (i) any deficiency or other sums owing in connection with any indebtedness hereunder, under this Mortgage or under the Note (the "**Indebtedness**") or (ii) any liability of any sort resulting from the breach of any covenant, agreement, representation or warranty contained herein, or in the Assignment of Lease, or elsewhere (the "**Liability**"), except as set forth in the second sentence of this Section 10, Lender (a) shall not have, and shall not and may not assert, any remedy, claim, right of action or rights to proceed in any court of law or equity against Borrower and (b) shall look for the payment of any such Indebtedness or the satisfaction of any such Liability solely to the Collateral and other security interests conveyed by this Mortgage and the Assignment of Lease; and (except as set forth in the second sentence of this Section 10) Lender shall not look to the assets of Borrower for the payment of any such Indebtedness or the satisfaction of any such Liability, and under no circumstances shall monies or amounts which have been properly distributed or paid to or for the benefit of Borrower pursuant to the Lease or otherwise, be required to be returned to Lender.

#### 11. MISCELLANEOUS PROVISIONS.

11.1 Borrower shall pay on demand, whether or not the transactions contemplated in or by such Documents shall have closed, all expenses incident to the closing of this Loan, which expenses shall include, but shall not be limited to, out of pocket costs and expenses the costs payable upon the filing and recording of any of the Documents, recordation taxes, transfer taxes and fees of all outside counsel.

11.2 This Mortgage shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns, provided, however, that Borrower shall not have the right to assign or transfer its rights or obligations except with the prior written consent of Lender not to be unreasonably withheld, except to a limited partnership of which Borrower or its officers is a general partner, or a trust or trusts of which Borrower or its officers is Trustee. Any such transfer shall be expressly subject and subordinate to this Mortgage. Lender at any time may sell, grant or otherwise transfer the Loan or part hereof to other corporations or financial institutions.

11.3 Any notice, demand or any other instruments authorized by this Mortgage to be served on or given shall be sufficiently served or given for all purposes (i) when personally



delivered to any officer of the party to whom it is addressed or (ii) if sent by certified or registered mail, postage prepaid, addressed to each party as follows at its address first above mentioned or at such other address as has been furnished in writing by each party to the other. The effective date of any notice shall be the date of delivery if by personal delivery or date of mailing thereof to the party to whom such notice is addressed.

11.4 This Mortgage: may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument; is executed under and shall be governed by and construed in accordance with the laws of the state of Arizona; and may be amended, modified, renewed or extended only by written instrument, executed in the manner of the execution of this Mortgage.

11.5 Time is of the essence of this Mortgage.


11.6 The parties shall, from time to time, do and perform such other and further acts and execute and deliver any and all such other and further instruments as may be required or reasonably requested by the other party to establish, maintain and protect the respective rights and remedies of the other and to carry out and effect the intents and purposes of this Mortgage.

11.7 The Documents shall constitute the entire agreement between the parties hereto with respect to the Loan and shall supersede all other agreements, written or oral, with respect thereto.

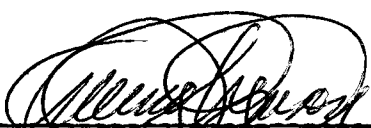
11.8 The representations and warranties hereunder shall survive the Closing Date, and Lender may enforce such representations and warranties at any time. The covenants of Borrower shall survive the Closing Date and shall be performed fully and faithfully by Borrower at all times. All documents, agreements, certificates and instruments herein required shall be in form and substance satisfactory in all respects to Lender in its absolute discretion, and shall be provided at the sole cost and expense of Borrower. If any one or more of the provisions contained in this Mortgage or in any Document shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired.

IN WITNESS WHEREOF, the parties hereto have executed this Mortgage as of the day and year first above written.

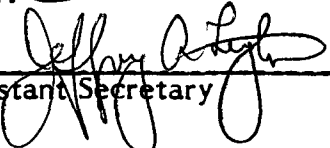
CHANCELLOR ASSET CORPORATION,  
AS TRUSTEE FOR DEERFIELD TRUST  
"Borrower"

By   
Name: William C. Sprong  
Title: Senior Vice President

GREYCAS, INC., "Lender"

By   
Vice President-Law

ATTEST:

By   
Assistant Secretary

STATE OF Massachusetts )  
 ) ss.  
COUNTY OF Suffolk )

On this 11 day of July, 1984, before me personally appeared William C. Sprong and xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx to me known to be Senior Vice President and xxxxxxxxxxxxxxxxxxxxxxxx, respectively, of Chancellor Asset Corporation, and who executed the foregoing instrument in their names and they acknowledged that they executed the same as their free act and deed.

(seal)

Frederick R. H. Witherby, Jr.  
Notary Public

My commission expires:

July 23, 1987

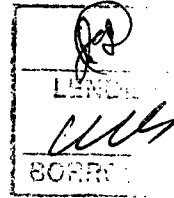
State of Arizona )  
 ) ss:  
County of Maricopa )

On this 16<sup>th</sup> day of July, 1984, before me personally appeared Irving Hymson and Jeffrey A. Leyton, to me known to be Vice President-Law and Assistant Secretary, respectively, of Greycas, Inc., and who executed the foregoing instrument in their names and they acknowledged that they executed the same as their free act and deed.

Connie Menth  
Notary Public

My commission expires:

October 30 1986



**EXHIBIT A**  
**TO CHATTEL MORTGAGE AND SECURITY AGREEMENT**

**DESCRIPTION OF EQUIPMENT**

Sixty-seven (67) used 5,250 cubic foot dry flow, bottom dump, covered hopper railroad cars manufactured by AFC Industries, Incorporated with Railroad Identification Numbers as follows:

ELTX 600 through 666

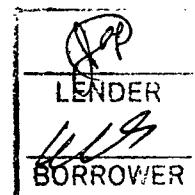


EXHIBIT B  
TO CHATTEL MORTGAGE AND SECURITY AGREEMENT  
CHANCELLOR ASSET CORPORATION AS TRUSTEE FOR DEERFIELD TRUST  
(CONSISTING OF 4 PAGES)

PROMISSORY NOTE

**\$1,559,159.45\***

**(Insert Closing Date)**

FOR VALUE RECEIVED, CHANCELLOR ASSET CORPORATION, AS TRUSTEE FOR DEERFIELD TRUST ("**Borrower**"), a Massachusetts corporation having its principal place of business in Boston, Massachusetts, hereby promises to pay to the order of the payee identified below ("**Payee**") at its principal offices at Greyhound Tower, Phoenix, Arizona 85077, the principal sum of \$ (Insert Loan Amount Being Funded On A Closing Date), together with interest thereon at a rate of Insert Effective Interest Rate At Closing % per annum, computed from the date hereof, in 40 consecutive installments, each of which installments shall be in the amount of \$           \*          , the first installment thereof being due and payable three months from the date hereof and the next 39 installments being due and payable on the same day of each successive third month thereafter.

This Promissory Note ("**Note**") is issued pursuant and subject to the terms and conditions of the Chattel Mortgage and Security Agreement dated as of May 17, 1984 ("**Mortgage**") between Borrower and Payee, which, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events. This Note is secured by a Security Interest granted to Payee in the Mortgage referred to therein, reference to which is made for a description of the Collateral (as defined in the Mortgage) provided thereby and the rights of the parties with respect thereto.

If all or any portion of any installment is not paid when due, Borrower shall pay interest on such amount from the due date of such installment to and including the date of payment in full at the Overdue Rate set forth in the Mortgage.

Upon default in the prompt and full payment of any installment of principal and interest on this Note, or upon the occurrence of any of the Events of Default set forth in the Mortgage, or upon the Total Loss (as defined in the Mortgage), Payee may, at its option, declare this Note or part hereof to be immediately due and payable, whereupon this Note or part hereof shall become immediately due and payable and Borrower shall immediately pay to Payee the percentage of the "Unpaid Amount" of this Note calculated in accordance with Section 5.3(b) of the Mortgage and the next paragraph, plus all expenses, including reasonable attorneys' fees, suffered or incurred in connection with the enforcement of Payee's rights under this Note and said Mortgage.

The Unpaid Amount hereof shall be an amount equal to the sum of the following:

**\* This amount is based upon a Prime of 13%. If Prime is other than 13% on the Closing Date, this amount shall be modified accordingly.**

A. All installments of principal and interest due and payable but not yet paid under this Note prior to the date on which this Note is declared to be due and payable; plus

B. Accrued and unpaid interest due under this Note at the Overdue Rate on any previous installments not paid when due thereunder from the due date thereof to the date on which this Note is declared to be due and payable; plus

C. A stipulated amount determined as follows:

(i) if the date on which this Note is declared to be due and payable is not an Installment Date (as defined in **Exhibit 1** attached hereto and made a part hereof), an amount determined by multiplying the face amount of this Note by the percentage set forth in the column in **Exhibit 1** opposite the Installment Date immediately following the date on which this Note is declared to be due and payable; or

(ii) If the date on which this Note is declared to be due and payable is on an Installment Date, an amount determined by multiplying the face amount of this Note by the percentage set forth in the column in **Exhibit 1** opposite such Installment Date which is the Installment Date; plus

D. To the extent permitted by the law governing this Note, interest at the Overdue Rate set forth in this Note on the aggregate amounts set forth in Paragraphs A, B and C above calculated from the date on which this Note is declared due and payable to and including the date of payments of all such amounts in full.

This Note is subject to prepayment as provided in the Mortgage.

This Note shall be governed by the laws of the State of Arizona. It is the intent of the parties to comply with the usury law ("**Applicable Usury Law**") applicable pursuant to the terms of the preceding sentence or such other usury law which is applicable if the law chosen by the parties is not. Accordingly, it is agreed that notwithstanding any provisions to the contrary in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, in no event shall this Note or such documents require the payment or permit the collection of interest in excess of the maximum contract rate permitted by the Applicable Usury Law. If (a) any such excess of interest otherwise would be contracted for, charged or received from Borrower or otherwise in connection with the loan evidenced hereby, or (b) the maturity of the indebtedness evidenced by this Note is accelerated in whole or in part, or (c) all or part of the principal or interest of this Note shall be prepaid, so that under any of such circumstances the amount of interest contracted for, charged or received in connection with the loan evidenced hereby, would exceed the maximum contract rate permitted by the Applicable Usury Law, then in any such event (1) the provisions of this paragraph shall govern and control, (2) neither Borrower nor any other person or entity now or hereafter liable for the payment hereof will be obligated to pay the amount of such interest to the extent that it is in excess of the maximum contract rate permitted by the Applicable Usury Law, (3) any such excess which may have been collected shall be either applied as a credit against the then unpaid principal amount hereof or refunded to Borrower at the holder's option, and (4) the effective rate of interest will be automatically reduced to the maximum amount of interest permitted by the Applicable Usury Law. Without limiting the generality of the foregoing, to the extent permitted by the Applicable Usury Law, all calculations of the rate of interest which are made for the purpose of determining whether such rate would exceed the maximum contract rate permitted by the Applicable Usury Law shall be made by amortizing, prorating, allocating and spreading during the period of the full stated term of the loan evidenced hereby,

all interest at any time contracted for, charged or received from Maker or otherwise in connection with such loan.

Maker agrees to pay an effective rate of interest which is the rate stated in the first paragraph hereof plus any additional rate of interest resulting from any charges in the nature of interest paid or to be paid in connection with the loan evidenced by this Note, but in no event to exceed the maximum contract rate permitted under the Applicable Usury Law.

Borrower hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The non-exercise by the holder of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

Anything herein to the contrary notwithstanding this Note is a nonrecourse obligation of the Borrower and the liability of the Borrower to make payments of the principal of, interest on and any other sums due under this Note, including collection costs and attorney's fees, is limited (other than as set forth in the second sentence of Section 10 of the Mortgage) solely to the Collateral and other security interests conveyed by the Agreement, Assignment of Lease and the Assignment of Letter of Credit.

Payee: GREYCAS, INC.

CHANCELLOR ASSET CORPORATION,  
AS TRUSTEE FOR DEERFIELD TRUST,  
Borrower/Maker

By \_\_\_\_\_  
Name:  
Title:

## EXHIBIT 1 TO PROMISSORY NOTE

CHANCELLOR CORPORATION, BORROWER AND MAKER

INSTALLMENT FACTOR BASED ON CURRENT PRIME RATE OF 13.00% = 4.6827%

(CONSISTING OF 2 PAGES)

<u>Installment Date</u> <u>(Quarters from</u> <u>the Date Hereof)</u>	<u>Percentage</u>	<u>\$ Amount</u>
1	103.50	\$1,613,728
2	102.28	1,594,640
3	101.01	1,574,885
4	99.70	1,554,438
5	98.34	1,533,275
6	96.94	1,511,371
7	95.49	1,488,701
8	93.98	1,465,238
9	92.42	1,440,953
10	90.81	1,415,819
11	89.14	1,389,804
12	87.42	1,362,880
13	85.63	1,335,012
14	83.78	1,306,170
15	81.86	1,276,318
16	79.88	1,245,421
17	77.83	1,213,443
18	75.71	1,180,346
19	73.51	1,146,091
20	71.24	1,110,636
21	68.89	1,073,941
22	66.45	1,035,961
23	63.93	996,652
24	61.32	955,968
25	58.62	913,859
26	55.82	870,277
27	52.93	825,169
28	49.94	778,482
29	46.84	730,162
30	43.63	680,150
31	40.31	628,389
32	36.87	574,815

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CHANCELLOR CORPORATION

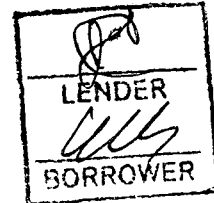
(PAGE 2 OF 2)

<u>Installment Date</u> <u>(Quarters from</u> <u>the Date Hereof)</u>	<u>Percentage</u>	<u>\$ Amount</u>
33	33.32	\$519,367
34	29.64	461,977
35	25.83	402,579
36	21.88	341,103
37	17.80	277,474
38	13.58	211,619
39	9.21	143,459
40	4.68	72,914
Thereafter	-0-	-0-

288



EXHIBIT C  
CHANCELLOR CORPORATION



IN THE EVENT THAT THE PRIME RATE ON THE CLOSING DATE IS OTHER THAN AS SET FORTH BELOW, THEN THE APPLICABLE INSTALLMENT FACTOR AND THE PERCENT ALLOCATED TO PRINCIPAL AND INTEREST SHALL BE DETERMINED BY LENDER ON A BASIS CONSISTENT WITH THAT EMPLOYED IN PREPARING THE FOLLOWING SCHEDULE:

<u>PRIME RATE ON CLOSING DATE</u>	<u>INTEREST RATE</u>	<u>INSTALLMENT FACTOR PERCENT</u>	<u>PAYMENTS</u>	<u>PERCENT ALLOCATED TO: PRINCIPAL</u>	<u>INTEREST</u>
11.00%	13.00%	4.5028%	1 - 22	100.00%	0.00%
			23	20.84%	79.16%
			24 - 40	0.00%	100.00%
11.50%	13.25%	4.5475%	1 - 21	100.00%	0.00%
			22	99.01%	0.99%
			23 - 40	0.00%	100.00%
12.00%*	13.50%	4.5920%**	1 - 21	100.00%	0.00%
			22	77.70%	22.30%
			23 - 40	0.00%	100.00%
12.50%	13.75%	4.6374%	1 - 21	100.00%	0.00%
			22	56.38%	43.62%
			23 - 40	0.00%	100.00%
13.00%	14.00%	4.6827%	1 - 21	100.00%	0.00%
			22	35.52%	64.48%
			23 - 40	0.00%	100.00%
13.50%	14.25%	4.7282%	1 - 21	100.00%	0.00%
			22	14.97%	85.03%
			23 - 40	0.00%	100.00%

\*Base prime rate.

\*\*Base installment factor.

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EXHIBIT D  
TO CHATTEL MORTGAGE AND SECURITY AGREEMENT  
(TO BE PLACED ON ATTORNEY'S LETTERHEAD)

Dated: \_\_\_\_\_

Greycas, Inc.  
Greyhound Tower  
Phoenix, Arizona 85077

Attention: Jeffrey A. Leyton, Esq.

Gentlemen:

We are counsel to Chancellor Asset Corporation, as Trustee for Deerfield Trust ("**Borrower**"), a Massachusetts corporation, and in such capacity, we have been asked to render our opinion in connection with the transaction pursuant to which Borrower is to borrow from Greycas, Inc. ("**Lender**") pursuant to a Chattel Mortgage and Security Agreement ("**Mortgage**") dated as of May 17, 1984 the amount set forth therein ("**Loan**"). As security for the full and complete performance by Borrower of its Obligations, Borrower granted to Lender a Security Interest in the Collateral described and defined in said Mortgage.

Borrower has leased the Equipment to Soltex Polymer Corporation, a Delaware corporation, pursuant to Schedule A to a Master Lease Agreement dated as of June 1, 1984 ("**Lease**"). By the Mortgage and an Assignment and Agreement ("**Assignment of Lease**"), each dated as of May 17, 1984, Borrower has assigned the Lease to Lender as collateral security for the performance by Borrower of Borrower's Obligations. As additional security for the Loan, Borrower has assigned the Letter of Credit to Lender which Borrower has received from Lessee's Bank.

All terms not otherwise defined herein shall have the meanings set forth in the Mortgage and Mortgage.

In rendering this opinion, we have made such review of the Documents, including, but without limitation, the Mortgage, the promissory note which is provided for therein, and such other records and proceedings as we have deemed relevant or material in order to render the opinions set forth below. We assume all signatures are genuine.

Based upon the foregoing, and having regard for such legal considerations as we have deemed relevant, we are of the opinion that:

1. Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Massachusetts and it is duly qualified, in good standing and authorized to do business in all jurisdictions wherein the location and nature of the properties used or business, as the same is presently being conducted, makes such qualification necessary.

2. Borrower has the full power, authority and legal right to execute and deliver the Documents.

3. The Documents have been duly authorized by all necessary corporate action of Borrower and they constitute legal, valid and binding obligations of Borrower that are enforceable against Borrower in accordance with its terms.

4. No registration with, consent or approval of, or the giving of notice to, any governmental agency or commission is necessary for the execution or delivery of the Documents by Borrower or for performance by Borrower of the terms of any of the Documents, or the validity and enforceability thereof or with respect to the obligations of Borrower thereunder other than the filing of the Mortgage with the Interstate Commerce Commission.

5. There is no action, litigation or other proceeding pending or threatened against Borrower or any of its affiliates before any court, arbitrator or administrative agency which might result in any material adverse effect on the assets, business, financial condition or operations of Borrower or which would in any way prevent, hinder or jeopardize the ability of Borrower to perform hereunder.

6. Neither the execution nor delivery of the Documents nor fulfillment of or compliance with the terms and provisions thereof, will contravene any provisions of law, including without limitation thereto any statute, rule, regulation, judgment, decree, order, franchise, or permit applicable to Borrower; nor will such execution or delivery or such fulfillment or compliance conflict with or result in a material breach of the terms, conditions or provisions of, or constitute a default under, the Charter, Articles or Certificate of Incorporation or By-Laws, as amended, of Borrower, or any contract, undertaking, indenture or other agreement or instrument by which Borrower is now bound or to which it is now a party.

7. In the event that the usury or other similar laws applicable to the lending and borrowing money or any public policy with respect thereto of the State of Massachusetts are deemed applicable to the transaction which is the subject of the Documents, the transaction would not violate any such laws nor such public policy, except as the same may be limited by applicable bankruptcy law or laws affecting creditors' rights in general.

Very truly yours,

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